

# Siemens shares nosedive on overhaul plan, energy woes

2 August 2018, by Jean-Philippe Lacour, Michelle Fitzpatrick



The shift to renewable energy has hurt sales of Siemens' gas turbines and are prompting a restructuring that could see 7,000 jobs go

Shares in Siemens plummeted Thursday after falling demand for gas turbines weighed on quarterly earnings, and the German conglomerate announced a major revamp of its industrial units.

Net profit at the sprawling group plunged 14 percent to 1.2 billion euros (\$1.4 billion) in the third quarter of its financial year, compared with the same period a year earlier.

Revenue at Siemens—which also builds [trains](#), industrial robots and [medical scanners](#)—fell four percent to 20.5 billion euros, slightly below analysts' expectations.

Siemens blamed "a sharp decrease in profit" at its ailing power and gas unit, as well as overall "negative currency effects" and higher taxes.

Quarterly income was driven by the group's digital services, led by a spike in profits at its factory automation arm.

The group also highlighted a 16-percent increase

in overall orders, boosted by demand for big-ticket items like trains and wind turbines, while orders in its Healthineers medical devices business were flat.

"Our global team delivered a strong quarter, highlighted by outstanding order intake," chief executive Joe Kaeser said in a statement.

"We diligently address our opportunities and challenges going forward," he added.

Investors were unimpressed however, sending Siemens shares down 4.7 percent to 114.2 euros and to the bottom of the blue-chip DAX index, itself down 1.9 percent by 1050 GMT on global trade tensions.

Siemens also gave details of a major restructuring it plans to begin in October, trimming its industrial units from five to three to make them more independent and better able to respond quickly to market demands.

The overhaul has been spurred by troubles in Siemens' power and gas unit, which has long been grappling with "structurally" lower demand as energy trends shift towards renewables.

Some 7,000 jobs are set to be slashed at the division.

## 'No sell-off planned'

As part of its new "Vision 2020+" revamp, announced in a statement late Wednesday, Siemens said it would strengthen its digital offerings, focussing on the internet of things, industrial automation and electric mobility.

Speaking during a conference call, CEO Kaeser said now was "the best time" to embark on the overhaul.

The plan will see the group divided into three

operating companies—gas and power, smart infrastructure, and digital industries.

They will operate alongside the group's existing Healthineers division, the wind-turbine unit Siemens Gamesa and the planned Siemens Alstom company, following a merger of its rail activities with the French maker of TGV trains.

The restructuring prompted speculation that Siemens is laying the groundwork to sell off divisions, but Kaeser batted away those concerns.

"There is no plan in place at this time to bring one of these three divisions on the stock market," he told reporters.

Looking ahead to the remainder of its financial year, Siemens confirmed it expects "modest growth" in revenue, adjusted for currency and portfolio effects.

The sweeping changes planned at Siemens come as conglomerates around the world are offloading units and reshaping unwieldy businesses in a bid to keep pace with fast-changing industry landscapes.

"Today we are a single tanker. We must become a coordinated and efficient fleet of ships," Kaeser told German media last year.

© 2018 AFP

APA citation: Siemens shares nosedive on overhaul plan, energy woes (2018, August 2) retrieved 25 June 2019 from <https://phys.org/news/2018-08-siemens-nosedive-overhaul-energy-woes.html>

*This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.*